1810-100
Comment Letter No. 1806B

CITIZENS
BANK & TRUST

P.O. Box 250
Guntersville, AL 35976
256-505-4600

September 30, 2010

Mr. Russell G. Golden
Financial Accounting Standards Board
4021 Merritt 7
P. O. Box 5177
Norwalk, Connecticut 06856-5116

**File Reference: No. 1810-100, Financial Instruments and Derivatives and Hedging – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities**

Dear Mr. Golden:

On behalf of Citizens Bank & Trust, thank you for the opportunity to comment on the above referenced exposure draft that would apply fair value accounting to financial instruments, including loans, deposits and long term debt. Fair value information related to financial instruments is very important information to financial statement users and the investor community, particularly those associated with financial institutions. However, we respectfully request that it be withdrawn for reasons described below.

The general business model of most financial institutions is to generate earnings from the interest spread between the costs of deposits and the interest earned from making and holding loans to maturity. Since most financial institutions have no intention of selling their loans, and since these loans have no active markets anyway, it does not seem logical to apply fair value accounting to these loan portfolios. Requiring fair value accounting will also cause significant cost burdens for financial institutions, particularly community banks, as they will most certainly be required to pay outside third parties to estimate market values.

Fair value accounting could also serve to confuse the investor community. For example, financial institutions with excellent cash flow earnings from their loan portfolios could nevertheless be required to report large losses driven by discounted cash flow models which most financial institutions will deploy to estimate fair values. Such reported losses, whether reported directly through earnings or through other comprehensive income, could distort the fact that the loan portfolio is performing and generating revenue. In other words, the financial statements will not be indicative of the financial institution's overall health, ability to pay dividends, or effectiveness of management. We believe the Board should instead focus on enhancing footnote disclosures about fair value with more robust disclosures regarding models and assumptions used to estimate fair values.

The current economic crisis underscores the importance of investor confidence, and any balance sheet volatility based on misleading accounting treatment will be perceived by the average investor as increased risk, thereby lowering investor confidence and further denying the banking industry of critically needed capital.

Sincerely,

Michael W Alred

Michael W. Alred
CEO/President

*Our Greatest Asset is You*

CITIZENS BANK & TRUST